



**OXFORD AREA SCHOOL DISTRICT
OXFORD, PENNSYLVANIA**

AUDIT REPORT

JUNE 30, 2015

OXFORD AREA SCHOOL DISTRICT

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INDEPENDENT AUDITOR'S REPORT

January 7, 2016

Board of School Directors
Oxford Area School District
Oxford, Pennsylvania

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oxford Area School District (the "District"), Oxford, Pennsylvania, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

Board of School Directors
Oxford Area School District

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oxford Area School District, Oxford, Pennsylvania, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the District's 2014 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information in our report dated December 15, 2014. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter

As discussed in Notes 1 and 17 to the financial statements, the District has adopted the requirements of GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68." These statements modify the accounting for the District's pensions. As a result, the beginning governmental activities and food service fund net position have been restated. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 13 and the schedule of proportionate share of the net pension liability and schedule of contributions on pages 50 and 51 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of School Directors
Oxford Area School District

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oxford Area School District's basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations," and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 7, 2016, on our consideration of the Oxford Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

OXFORD AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED
FOR THE YEAR ENDED JUNE 30, 2015

This section of the Oxford Area School District's annual financial report provides a discussion and analysis of the District's financial performance during the fiscal year ended June 30, 2015. This discussion and analysis should be read in conjunction with the District's accompanying financial statements, which immediately follow this section.

Financial Highlights

- The District's financial statements were significantly impacted by the implementation of GASB Statement No. 68 and GASB Statement No. 71, which revised the reporting of the District's involvement in the Pennsylvania Public School Employees' Retirement System ("PSERS").
- The District's financial status remained strong during the 2014-2015 fiscal year despite a 7.20 percent decrease in total net position over the course of the year to a deficit of \$12,222,054. The deficit is primarily due to the pension reporting under GASB Statements No. 68 and No. 71, as explained further below.
- The District's total revenues increased by \$1,624,028 or 2.76 percent.
- The net cost of governmental activities increased 4.76 percent to \$49,635,779. The net cost shows the amount needed to be funded by other revenue sources, primarily the District's taxpayers.
- The net position of business-type activities – food services – decreased 93.27 percent this year. Revenues increased 3.37 percent to \$1,856,841 and expenses increased 7.21 percent to \$2,003,009, resulting in an unrestricted net position deficit of \$1,016,600. The deficit is primarily due to the pension reporting under GASB Statements No. 68 and No. 71, as explained further below.
- At June 30, 2015, the District had \$138,349,421 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture, and equipment.

Overview of the Financial Statements

This annual report consists of four parts: management's discussion and analysis (this section), the basic financial statements, required supplementary information, and supplementary information. The basic financial statements include two kinds of statements which present different views of the District. The first two statements are District-wide financial statements that provide both short-term and long-term information about the District's overall financial status. The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the District-wide statements. The governmental funds statements indicate how basic services such as regular and special education were financed in the short term as well as indicate future spending plans. Proprietary fund statements offer short and long-term financial information about activities the District operates like a business, such as food services. Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others, such as student activity funds and scholarship funds.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

The financial statements also include notes that explain some of the information in the statements, as well as provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the financial statements with additional information about the District's participation in the PSERS pension plan and a section of supplementary information that includes the single audit results for the District's federal programs.

The following chart summarizes the major features of the District's financial statements. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

Major Features of the District-wide and Fund Financial Statements				
	District-wide Statements	Fund Financial Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	Activities of the District that are not proprietary or fiduciary, such as general operating and capital projects	Activities the District operates similar to private businesses, such as food services.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	<ul style="list-style-type: none"> Statement of net position Statement of activities 	<ul style="list-style-type: none"> Balance sheet Statement of revenues, expenditures, and changes in fund balances 	<ul style="list-style-type: none"> Statement of net position Statement of revenues, expenses, and changes in net position Statement of cash flows 	<ul style="list-style-type: none"> Statement of fiduciary net assets Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/deferred inflows of resources/liability/deferred outflows of resources information	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both financial and capital, short-term and long-term	Generally assets/deferred outflows of resources expected to be used up and liabilities/deferred inflows of resources that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both financial and capital, and short-term and long-term.	All assets/deferred outflows of resources and liabilities/deferred inflows of resources, both short-term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

District-wide Statements

The District-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the Statement of Activities regardless of when cash is received or paid.

The two District-wide statements report the District's net position and how it has changed. Net position – the difference between the District's assets and deferred outflows of resources and its liabilities and deferred inflows of resources – is one way of measuring the District's financial health or position. Over time, increases or decreases in the District's net position are an indicator of whether its financial position is improving or deteriorating. To assess the District's overall health, non-financial factors, such as changes in the District's property tax base and the condition of or need for improvements or expansion to existing school facilities are considered.

In the District-wide financial statements, the District's activities are divided into two categories as follows:

- **Governmental Activities:** Most of the District's basic services are included here, such as regular and special education, maintenance and operation of plant services, transportation services and administrative services. Property taxes along with state formula aid finance most of these activities.
- **Business-type Activities:** The District charges fees to cover the cost of certain services such as food services programs.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds. These statements focus on the District's most significant or "major" funds – not the District as a whole. Funds are accounting components the District uses to keep track of specific sources of funding and spending on particular programs. Some funds are required by state law and by bond covenants. The District may establish other funds to control and manage money for particular purposes, such as repaying its long-term debts.

The District has three types of funds as follows:

Governmental Funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets can readily be converted into cash inflows and outflows and (2) balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the District-wide statements, reconciliation schedules after each of the governmental funds statements explains the relationship (or differences) between them.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

Proprietary Funds: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the District-wide financial statements. The District's Enterprise Funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows. The District currently has one enterprise fund, the food service fund.

Fiduciary Funds: The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

Implementation of GASB Statements No. 68 and No. 71

During the year, the District Implemented Government Accounting Standards Board ("GASB") Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date - An amendment of GASB Statement No. 68." The purpose of these statements is to improve the transparency, consistency, and comparability of the pension information reported by state and local governments (e.g. school districts).

The adoption of GASB Statements No. 68 and No. 71 have had, and will continue to have, a profound effect on the financial statements and net position of school districts and governments not only in Pennsylvania, but across the nation. By recognizing the impact of any unfunded liability faced by defined benefit pension plans, plan administrators (at the direction of elected officials) and participants will be required to evaluate the cost of providing these benefits as compared to the benefit to be derived through providing for certain retirement benefits to the work force.

More specifically, the District contributes to the Pennsylvania Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. In cost-sharing multiple-employer plans, the plan assets and liabilities are shared. Plan assets can be used to pay the pensions of the employees of any employer that provides pensions through the plan. The new standards have shifted pension reporting from a funding-based approach, in which the District reported only its contributions to the plan, to an accounting-based approach. Under this new approach, the District will report its proportionate share of the net pension liability on the statement of net position of the government-wide and proprietary fund financial statements. Reporting in the governmental fund statements is not affected by the implementation of these statements.

The net pension liability is the difference between the market value of pension fund assets and the actuarial present value of projected benefit payments at the measurement date. Included in the calculation are projected employer and employee contributions as well as the expectation that the assets will grow at the long-term assumed rate of return on plan investments.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

While the net pension liability is significant to the District's financial statements, it is a liability the District has limited control over. Over the last five years, the PSERS employer contribution rate has risen significantly, from 4.0 percent in 2009-2010 to 20.5 percent in 2014-2015. These increases are expected to improve the plan's funding level, which will reduce net position in future years. This rate is anticipated to continue to increase to a level of over 30 percent in future years.

Financial Analysis of the District as a Whole

The District's total net position deficit was slightly larger on June 30, 2015 than the previous year. The total net position decreased 7.20 percent over the course of the year to a deficit of \$12,222,054. The following table presents condensed financial information for the net position of the District as of June 30, 2015 and June 30, 2014.

Condensed Statement of Net Position						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Current and Other Assets	\$ 32,832,117	\$ 31,645,511	\$ 697,615	\$ 727,805	\$ 33,529,732	\$ 32,373,316
Capital Assets	91,613,984	94,231,785	1,027,139	1,098,927	92,641,123	95,330,712
Total Assets	124,446,101	125,877,296	1,724,754	1,826,732	126,170,855	127,704,028
Deferred Outflows of Resources	5,588,099	3,270,469	150,489	88,075	5,738,588	3,358,544
Total Assets and Deferred Outflows of Resources	\$ 130,034,200	\$ 129,147,765	\$ 1,875,243	\$ 1,914,807	\$ 131,909,443	\$ 131,062,572
Current Liabilities	\$ 9,419,837	\$ 8,970,451	\$ 35,157	\$ 38,327	\$ 9,454,994	\$ 9,008,778
Long-term Liabilities	128,314,029	131,734,851	1,707,474	1,719,773	130,021,503	133,454,624
Total Liabilities	137,733,866	140,705,302	1,742,631	1,758,100	139,476,497	142,463,402
Deferred Inflows of Resources	4,532,927	-	122,073	-	4,655,000	-
Total Liabilities and Deferred Inflows of Resources	\$ 142,266,793	\$ 140,705,302	\$ 1,864,704	\$ 1,758,100	\$ 144,131,497	\$ 142,463,402
Net Position:						
Net Investment in Capital Assets	\$ 24,548,988	\$ 24,451,997	\$ 1,027,139	\$ 1,098,927	\$ 25,576,127	\$ 25,550,924
Restricted for Capital Projects	3,671,022	4,125,609	-	-	3,671,022	4,125,609
Unrestricted (Deficit)	(40,452,603)	(40,135,143)	(1,016,600)	(942,220)	(41,469,203)	(41,077,363)
Total Net Position (Deficit)	\$ (12,232,593)	\$ (11,557,537)	\$ 10,539	\$ 156,707	\$ (12,222,054)	\$ (11,400,830)

The restricted net position in the amount of \$3,671,022 is set aside to fund future capital improvements. The net deficit in the amount \$41,469,203 is primarily the result of the District's proportionate share of a net pension liability of \$65,111,000. Included within the deficit is \$4,315,948 set aside to cover unanticipated future revenue shortfalls and funds to cover future extraordinary healthcare, pension and utility costs, totaling \$8,977,117.

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

The results of this year's operations as a whole are reported in the Statement of Activities. All expenses are reported in the first column. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are presented to determine the final amount of the District's activities that are supported by other general revenues. The largest revenues are property taxes and the basic education subsidy provided by the Commonwealth of Pennsylvania.

The following table presents condensed financial information from the Statement of Activities in a different format. The District's total revenues increased by \$1,624,028 or 2.76 percent. Property taxes and other taxes levied for general purposes accounted for most of the District's revenue in the amount of \$35,399,623, or 58.51 percent. Another \$13,273,010, or 21.94 percent, came from state aid such as the state basic education subsidy. The remainder, \$11,824,798 or 19.55 percent, came from several sources. Revenue of \$6,569,913 came from operating grants, including funds for student transportation, retirement and social security subsidies and food service. Revenue of \$2,944,961 came from program specific operating grants for special education and federal programs Title I, II, III, IDEA, and ACCESS. Revenue of \$280,772 came from earnings on investments and rental income. Debt services reimbursements were \$801,664. Fees charged by food service for student and staff meals, along with catering services, were \$759,085. Fees charged for other services (excluding rental income) and other revenues amounted to \$468,403.

The total cost of all programs and services rose to \$61,318,655, or 4.47 percent. The District's expenses are predominately related to instructing, caring for (support services and operation of school facilities) and transporting students, which represents 91.43 percent, or \$56,063,287, of total expenses. Total expenses exceeded total revenues, which produced a decrease in net position of \$821,224 over the past year.

Changes in Net Position from Operating Results						
	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program Revenues						
Charges for Services	\$ 459,895	\$ 439,809	\$ 759,085	\$ 785,334	\$ 1,218,980	\$ 1,225,143
Operating Grants and Contributions	9,219,972	9,008,388	1,096,565	1,010,845	10,316,537	10,019,233
General Revenues						
Property Taxes and Other Taxes Levied for General Purposes	35,399,623	34,191,955	-	-	35,399,623	34,191,955
Grants and Contributions not Restricted	13,273,010	13,273,007	-	-	13,273,010	13,273,007
Other	288,090	163,905	1,191	160	289,281	164,065
Total Revenues	58,640,590	57,077,064	1,856,841	1,796,339	60,497,431	58,873,403
Expenses:						
Instruction	39,545,837	37,023,386	-	-	39,545,837	37,023,386
Support Services	16,517,450	15,920,982	-	-	16,517,450	15,920,982
Non-Instructional Services	981,051	874,824	-	-	981,051	874,824
Other	2,271,308	3,009,442	2,003,009	1,868,355	4,274,317	4,877,797
Total Expenses	59,315,646	56,828,634	2,003,009	1,868,355	61,318,655	58,696,989
Increase (Decrease) in Net Position	\$ (675,056)	\$ 248,430	\$ (146,168)	\$ (72,016)	\$ (821,224)	\$ 176,414

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

Presented below is the cost of four (4) major District activities: instruction, support services, non-instructional services, and other. The table also shows each activity's net cost (total cost less fees generated by the activities and governmental aid provided for specific programs). The net cost shows the amount needed to be funded by other revenue sources, primarily the District's taxpayers. The net cost of governmental activities increased 4.54 percent to \$49,635,779.

Net Cost of Governmental Activities						
	Total Cost of Services		% Change 2014-2015	Net Cost of Services		% Change 2014-2015
	2015	2014		2015	2014	
Instruction	\$ 39,545,837	\$ 37,023,386	6.81%	\$ 34,190,669	\$ 32,151,946	6.34%
Support Services	16,517,450	15,920,982	3.75%	13,598,708	13,003,918	4.57%
Non-Instructional Services	981,051	874,824	12.14%	681,835	625,510	9.00%
Other	2,271,308	3,009,442	-24.53%	1,164,567	1,599,063	-27.17%
Total	\$ 59,315,646	\$ 56,828,634	4.38%	\$ 49,635,779	\$ 47,380,437	4.76%

Financial Analysis of the District's Funds

At the end of fiscal year 2015, governmental funds had total fund balances of \$26,938,598. During 2014-2015, the net change in governmental fund balances was an increase of \$1,038,635 or 4.01 percent. The District has set aside \$6,171,022 to fund future capital improvements. The District also set aside funds to cover future extraordinary healthcare, pension, utility, and maintenance costs, totaling \$8,977,117. An amount of \$4,315,948 was set aside to cover unanticipated future revenue shortfalls, and \$7,474,511 is available to fund next year's operations and any unforeseen financial issues.

The business-type activities produced an operating loss because of planned increases to maintenance costs. In addition to the District-wide financial statements, food services are reported in greater detail in the proprietary fund statements.

General Fund Budgetary Highlights

During the fiscal year, the Board of School Directors authorized revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule showing the District's original and final budget amounts compared to amounts actually received and disbursed is provided in the financial statements.

To balance the 2014-2015 budget, the District had planned to utilize \$3,462,425 of fund balance from the previous year. The difference in the 2014-2015 revenues and expenses compared to the budget resulted in an overall favorable variance of \$4,955,675. Revenues exceed budget by \$298,705, mainly due to the expansion of a local retirement community, which brought in additional real estate

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

taxes. The variance was also due to reductions in budgeted expenditures. Variable interest rates on debt service payments and refunding resulted in a savings of \$831,430; \$343,388 of federal program expenditures are being carried over into next year; fewer students attending charter schools resulted in a savings of \$424,842; pre-purchasing utilities and fuels resulted in a savings of \$453,418; changes to work schedules and pay rates resulted in a savings of salaries, taxes, and pension costs totaling \$1,072,348; and the successful management of health insurance through a self-insured program resulted in a savings of \$1,458,743.

Total revenues exceeded total expenditures in 2014-2015 by \$1,493,222. An amount of \$1,000,000 has been committed to fund future capital projects. An amount of \$493,222 remained in the General Fund's unassigned fund balance, bringing it to \$7,474,511, or 7.75 percent of anticipated expenditures with the planned utilization of \$2,380,128 to fund next year's operations. More detailed information about fund balances can be found in the notes to the financial statements.

Capital Asset and Debt Administration

Capital Assets

At June 30, 2015, the District had \$138,349,421 invested in a broad range of capital assets, including land, school buildings, administrative offices, athletic facilities, furniture, and equipment. This amount represents an increase of \$744,524, or 0.54 percent from last year. The increase is attributed to the maintenance of school facilities. Total depreciation expense for the year amounted to \$3,588,268. The following schedule depicts the change in capital assets for the period July 1, 2014 through June 30, 2015. More detailed information about capital assets can be found in the notes to the financial statements.

	Capital Assets						% Change 2014-2015
	Governmental Activities		Business-type Activities		Total Activities		
	2015	2014	2015	2014	2015	2014	
Land	\$ 5,255,835	\$ 5,255,835	\$ -	\$ -	\$ 5,255,835	\$ 5,255,835	0.00%
Building and Building Improvements	124,024,132	123,381,005			124,024,132	123,381,005	0.52%
Fixtures and Equipment	7,164,746	7,068,200	1,904,708	1,899,857	9,069,454	8,968,057	1.13%
Total	\$ 136,444,713	\$ 135,705,040	\$ 1,904,708	\$ 1,899,857	\$ 138,349,421	\$ 137,604,897	0.54%

Long-term Debt

As of June 30, 2015, the District had \$64,690,000 in general obligation bonds and other long-term debt outstanding, a decrease of \$4,460,000 over last year. Along with its annual debt service payments totaling \$2,755,000, the District issued \$23,200,000 of new debt in 2015 to refund obligations totaling \$24,905,000 which were redeemed. More detailed information about the District's long-term liabilities is presented in the notes to the financial statements.

OXFORD AREA SCHOOL DISTRICT
MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)
FOR THE YEAR ENDED JUNE 30, 2015

Outstanding Long-term Debt				
	<u>Totals</u>		<u>\$ Change</u>	<u>% Change</u>
	<u>2015</u>	<u>2014</u>	<u>2014-2015</u>	<u>2014-2015</u>
General Obligation Bonds and Note	<u>\$ 64,690,000</u>	<u>\$ 69,150,000</u>	<u>\$ (4,460,000)</u>	<u>-6.45%</u>

Factors Bearing on the District's Future

At the time these financial statements were prepared and audited, the District was aware of four existing circumstances that could impact its future:

1. The following employee labor contracts:
 - June 30, 2018 will mark the expiration of the current four-year teacher's contract. The economic package (salaries and fringe benefits) over the next three years provides for an annual increase of 2.78 percent with one-step compaction, 2.5 percent and 2.5 percent with one-step compaction in salaries, and includes employee contributions for healthcare costs.
 - June 30, 2016 will mark the expiration of the current three-year classified employee's contract with the secretarial/clerical staff. The economic package (salaries and fringe benefits) over the next year provides for an annual increase equal to the Act 1 Index in salaries and includes employee contributions for healthcare costs.
 - June 30, 2017 will mark the expiration of the current four-year classified employee's contract with the custodial/maintenance staff. The economic package (salaries and fringe benefits) over the next two years provides for an annual increase equal to the Act 1 Index or 1.7 percent, whichever is greater in salaries and includes employee contributions for healthcare costs.
2. The Pennsylvania School Employees Retirement System trustees set the contribution rate that all school districts must pay in 2014-2015 at 21.40 percent of eligible wages. Employer contribution rates are expected to rise to 25.84 percent in 2015-2016, 29.27 percent in 2016-2017 and 30.25 percent in 2017-2018. This increase will result in an additional expenditure of nearly \$1,000,000 annually for this District. The District has committed \$6,629,232 of its fund balance to cover future increased pension costs.
3. The current national and global economic conditions continue to affect the District's revenue stream. The downturn in the current housing market has resulted in the loss of interim real estate taxes (new construction) and real estate transfer tax (sales of existing homes). The number of successful real estate tax assessment appeals in the past few years reached a level to impact the

OXFORD AREA SCHOOL DISTRICT

MANAGEMENT DISCUSSION AND ANALYSIS - UNAUDITED (CONT'D)

FOR THE YEAR ENDED JUNE 30, 2015

assessment base downward resulting in the loss of annual real estate taxes. The District has seen this stabilize due to the fact that most residential home owners have already appealed their assessment and a reversal of the real estate market. Low interest rates have resulted in lower income earned on District investments.

4. Special Session Act 1 of 2006: The law limits real estate tax increases to an index established by the Pennsylvania Department of Education. Districts that cannot balance their budget, even after including revenue to be obtained by increasing taxes to the maximum extent allowed by the index, are eligible to seek back-end referendum exceptions. The exceptions are for costs that are beyond the direct control of local school boards. However the number of exceptions has been reduced from seven (7) to two (2); increases in mandated special education costs and in contributions to the employee retirement system (Act 25 of 2011). If additional dollars received through the exceptions are still not adequate to balance the budget, districts must either decide to go to the voters for approval for a tax increase or make further cuts to their budget to fit the revenues available.
5. As of this date, there has been no significant progress on the passage of the State budget. As a result, the District has not received budgeted revenues for state and federal sources, which comprise approximately 38 percent of total revenues. The District expects to be able to fund day-to-day operations through the end of the fiscal year without borrowing additional funds.

Contacting the District's Financial Management

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Business Office, Oxford Area School District, 125 Bell Tower Lane, Oxford, PA 19363.

**OXFORD AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2015
(With Comparative Data for June 30, 2014)**

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES				
ASSETS:				
Cash and cash equivalents	\$ 1,016,920	\$ 97,804	\$ 1,114,724	\$ 801,633
Investments	29,687,179	534,436	30,221,615	29,268,978
Taxes receivable, net of allowance	1,613,773	-	1,613,773	1,603,760
Due from other governments	490,303	28,322	518,625	635,533
Other receivables	23,942	16,640	40,582	37,203
Inventories	-	20,413	20,413	26,209
Land	5,255,835	-	5,255,835	5,255,835
Buildings and improvements	124,024,132	-	124,024,132	123,381,005
Furniture and equipment	7,164,746	1,904,708	9,069,454	8,968,057
Accumulated depreciation	(44,830,729)	(877,569)	(45,708,298)	(42,274,185)
TOTAL ASSETS	124,446,101	1,724,754	126,170,855	127,704,028
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred pension contributions	4,143,298	111,580	4,254,878	3,358,544
Deferred pension expenses	1,444,801	38,909	1,483,710	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,588,099	150,489	5,738,588	3,358,544
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$130,034,200	\$ 1,875,243	\$131,909,443	\$131,062,572
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION				
LIABILITIES:				
Accounts payable	\$ 1,466,060	\$ 10,966	\$ 1,477,026	\$ 1,625,128
Accrued salaries, payroll withholdings, and benefits	3,004,187	-	3,004,187	2,744,271
Accrued interest payable	358,778	-	358,778	834,233
Unearned revenues	45,279	24,191	69,470	59,934
Other current liabilities	27,268	-	27,268	14,268
Long-term liabilities:				
Portion due or payable within one year:				
Bonds and note payable, net	4,374,592	-	4,374,592	3,590,624
Capital lease payable	143,673	-	143,673	140,320
Portion due or payable after one year:				
Bonds and note payable, net	62,546,731	-	62,546,731	65,905,171
Capital lease payable	-	-	-	143,673
Accumulated compensated absences	764,018	-	764,018	449,188
Other post-employment benefit obligations	1,599,754	-	1,599,754	1,376,592
Net pension liability	63,403,526	1,707,474	65,111,000	65,580,000
TOTAL LIABILITIES	137,733,866	1,742,631	139,476,497	142,463,402
DEFERRED INFLOWS OF RESOURCES:				
Deferred pension expenses	4,532,927	122,073	4,655,000	-
TOTAL DEFERRED INFLOWS OF RESOURCES	4,532,927	122,073	4,655,000	-
NET POSITION (DEFICIT):				
Net investment in capital assets	24,548,988	1,027,139	25,576,127	25,550,924
Restricted for capital projects	3,671,022	-	3,671,022	4,125,609
Unrestricted (deficit)	(40,452,603)	(1,016,600)	(41,469,203)	(41,077,363)
TOTAL NET POSITION (DEFICIT)	(12,232,593)	10,539	(12,222,054)	(11,400,830)
TOTAL LIABILITIES AND NET POSITION (DEFICIT)	\$130,034,200	\$ 1,875,243	\$131,909,443	\$131,062,572

The accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Data for June 30, 2014)

	Program Revenues			Net (Expense) and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Business-type	
					Governmental Activities	Totals
GOVERNMENTAL ACTIVITIES:						
Instruction	\$ 39,545,837	\$ 5,273	\$ 5,349,895	\$ -	\$ (34,190,669)	\$ (34,190,669)
Instructional student support	3,570,599	-	374,011	-	(3,196,588)	(3,196,588)
Administrative and financial support services	5,271,482	45,882	271,026	-	(4,954,574)	(4,954,574)
Operation and maintenance of plant services	3,964,748	161,481	207,472	-	(3,595,795)	(3,595,795)
Pupil transportation	3,710,621	-	1,858,870	-	(1,851,751)	(1,851,751)
Student activities	981,051	247,259	51,957	-	(681,835)	(681,835)
Community services	39,433	-	2,240	-	(37,193)	(37,193)
Interest on long-term debt	2,231,875	-	1,104,501	-	(1,127,374)	(1,127,374)
TOTAL GOVERNMENTAL ACTIVITIES	59,315,646	459,895	9,219,972	-	(49,635,779)	(49,635,779)
BUSINESS-TYPE ACTIVITIES:						
Food service	2,003,009	759,085	1,096,565	-	(147,359)	(147,359)
TOTAL BUSINESS-TYPE ACTIVITIES	2,003,009	759,085	1,096,565	-	(147,359)	(147,359)
TOTAL PRIMARY GOVERNMENT	\$ 61,318,655	\$ 1,218,980	\$ 10,316,537	\$ -	(49,635,779)	(49,635,779)
GENERAL REVENUES						
Property taxes levied for general purposes					32,408,333	32,408,333
Taxes levied for specific purposes					2,991,290	2,991,290
Grants and entitlements not restricted to specific programs					-	-
Investment earnings					13,273,010	13,273,010
Gain on sale of assets					118,105	119,296
Miscellaneous					2,986	2,986
					166,999	166,999
TOTAL GENERAL REVENUES					48,960,723	48,961,914
CHANGE IN NET POSITION					(675,056)	(821,224)
NET POSITION (DEFICIT), BEGINNING OF YEAR (RESTATE)					(11,557,537)	(11,400,830)
NET POSITION (DEFICIT), END OF YEAR					\$ (12,232,593)	\$ (12,222,054)
					\$ 10,539	\$ (11,400,830)

The accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2015
(With Comparative Data for June 30, 2014)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	
ASSETS				
Cash and cash equivalents	\$ 1,008,351	\$ 8,569	\$ -	\$ 1,016,920
Investments	26,024,726	3,662,453	-	29,687,179
Taxes receivable	1,670,682	-	-	1,670,682
Due from other governments	490,303	-	-	490,303
Other receivables	23,942	-	-	23,942
TOTAL ASSETS	<u>\$29,218,004</u>	<u>\$ 3,671,022</u>	<u>\$ -</u>	<u>\$32,889,026</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
LIABILITIES:				
Accounts payable	\$ 1,466,060	\$ -	\$ -	\$ 1,466,060
Accrued salaries, payroll withholdings, and benefits	3,004,187	-	-	3,004,187
Unearned revenue	45,279	-	-	45,279
Other liabilities	27,268	-	-	27,268
TOTAL LIABILITIES	<u>4,542,794</u>	<u>-</u>	<u>-</u>	<u>4,542,794</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues - delinquent taxes	1,407,634	-	-	1,407,634
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,407,634</u>	<u>-</u>	<u>-</u>	<u>1,407,634</u>
FUND BALANCES:				
Restricted for capital projects	-	3,671,022	-	3,671,022
Committed	15,793,065	-	-	15,793,065
Unassigned	7,474,511	-	-	7,474,511
TOTAL FUND BALANCES	<u>23,267,576</u>	<u>3,671,022</u>	<u>-</u>	<u>26,938,598</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$29,218,004</u>	<u>\$ 3,671,022</u>	<u>\$ -</u>	<u>\$32,889,026</u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
RECONCILIATION OF BALANCE SHEET - GOVERNMENTAL FUNDS
TO STATEMENT OF NET POSITION
JUNE 30, 2015**

TOTAL GOVERNMENTAL FUND BALANCES	\$ 26,938,598
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Amounts reported for governmental activities in the statement of net position are different because:

Allowance for uncollectible taxes receivable	(56,909)
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. These assets consist of:

Land	\$ 5,255,835	
Buildings and improvements (including construction-in-progress)	124,024,132	
Furniture and equipment	7,164,746	
Accumulated depreciation	<u>(44,830,729)</u>	91,613,984

Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of:

Bonds and note payable, net	(66,921,323)	
Capital lease payable	(143,673)	
Accumulated compensated absences/early retirement incentive	(764,018)	
Accrued interest payable	(358,778)	
Other post-employment benefits	(1,599,754)	
Net pension liability	<u>(63,403,526)</u>	(133,191,072)

Deferred inflows and outflows of resources related to the District's pension plan do not represent current resources or uses of resources and, therefore, are not reported in the funds. Deferred inflows and outflows of resources consist of the following:

Deferred outflows of resources:		
Deferred pension contributions	4,143,298	
Deferred pension expenses	1,444,801	
Deferred inflows of resources:		
Deferred pension expenses	<u>(4,532,927)</u>	1,055,172

Some of the District's revenues will be collected after year end but are not available soon enough to pay for the current period's expenditures and, therefore, are unavailable in the funds.

1,407,634

NET POSITION (DEFICIT) OF GOVERNMENTAL ACTIVITIES	<u>\$ (12,232,593)</u>
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These accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2015
(With Comparative Data for the Year Ended June 30, 2014)

	Major Funds		Totals	
	General Fund	Capital Reserve Fund	Capital Projects Fund	
REVENUES				
Local sources	\$ 36,124,731	\$ 9,436	\$ -	\$ 36,134,167
State sources	21,162,928	-	-	21,162,928
Federal sources	1,330,055	-	-	1,330,055
TOTAL REVENUES	<u>58,617,714</u>	<u>9,436</u>	<u>-</u>	<u>58,627,150</u>
EXPENDITURES				
Current:				
Instruction	35,325,897	-	-	35,325,897
Support services	15,082,521	-	-	15,082,521
Operation of noninstructional services	944,045	-	-	944,045
Capital outlays	-	816,916	-	816,916
Debt service	5,275,015	147,107	505,120	5,927,242
TOTAL EXPENDITURES	<u>56,627,478</u>	<u>964,023</u>	<u>505,120</u>	<u>58,096,621</u>
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,990,236</u>	<u>(954,587)</u>	<u>(505,120)</u>	<u>530,529</u>
OTHER FINANCING SOURCES (USES)				
Issuance of debt	-	-	23,200,000	23,200,000
Payment of debt - refunding	-	-	(24,905,000)	(24,905,000)
Bond discounts	-	-	-	(22,282)
Bond premiums	-	-	2,210,120	2,210,120
Proceeds from extended-term financing	-	-	-	-
Transfers in	-	500,000	-	500,000
Transfers out	(500,000)	-	-	(500,000)
Proceeds from sale of assets	2,986	-	-	2,986
TOTAL OTHER FINANCING SOURCES (USES)	<u>(497,014)</u>	<u>500,000</u>	<u>505,120</u>	<u>508,106</u>
NET CHANGE IN FUND BALANCES	<u>1,493,222</u>	<u>(454,587)</u>	<u>-</u>	<u>1,038,635</u>
FUND BALANCES, BEGINNING OF YEAR	<u>21,774,354</u>	<u>4,125,609</u>	<u>-</u>	<u>25,899,963</u>
FUND BALANCES, END OF YEAR	<u>\$ 23,267,576</u>	<u>\$ 3,671,022</u>	<u>\$ -</u>	<u>\$ 26,938,598</u>
				<u>\$ 25,899,963</u>

The accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT
RECONCILIATION OF STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS TO STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2015

NET CHANGE IN FUND BALANCES - GOVERNMENTAL FUNDS \$ 1,038,635

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$3,511,629) exceeded capital outlays (\$893,828) in the period. (2,617,801)

Because some property taxes will not be collected for several months after the District's fiscal year ends, they are not considered as "available" revenues in the governmental funds. Unavailable tax revenues increased by this amount this year. 10,451

Debt proceeds are reported as financing sources in the governmental funds and, thus, contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net position. This is the amount by which debt proceeds, net of premiums and discounts (\$25,410,120) were less than debt repayments, net of premiums and discounts (\$28,124,912). 2,714,792

In the statement of activities, certain operating expenses – compensated absences (vacations and sick leave) and special termination benefits (early retirement) – are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). This is the amount by which current period amounts paid were less than current period compensated absences earned.

Compensated absences	\$ (314,830)	
Other post-employment benefits	<u>(223,162)</u>	(537,992)

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due and, thus, requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due. 475,455

In the statement of activities, pension expense reflects the change in net pension liability, net of deferrals. In the governmental funds, however, pension expenditures reflect payments made to fund the pension plan. This is the amount by which the change in net pension liability and related deferrals (\$5,901,894) exceeds pension contributions during the year (\$4,143,298). (1,758,596)

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES \$ (675,056)

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
BUDGETARY COMPARISON STATEMENT - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015**

	Budgeted Amounts		Actual	Variance with
	Original	Final	(GAAP Basis)	Final Budget Positive (Negative)
REVENUES				
Local sources	\$ 35,367,452	\$ 35,377,452	\$ 36,124,731	\$ 747,279
State sources	21,076,371	21,351,450	21,162,928	(186,522)
Federal sources	982,442	1,590,107	1,330,055	(260,052)
TOTAL REVENUES	57,426,265	58,319,009	58,617,714	298,705
EXPENDITURES				
Instruction:				
Regular programs	24,628,880	25,059,624	23,036,879	2,022,745
Special programs	10,624,615	10,996,551	10,541,442	455,109
Vocational programs	1,710,396	1,710,396	1,710,396	-
Other instructional programs	93,444	94,847	37,180	57,667
Total Instruction	37,057,335	37,861,418	35,325,897	2,535,521
Support services:				
Pupil personnel services	1,465,835	1,423,266	1,321,994	101,272
Instructional staff services	1,396,377	1,466,843	1,306,269	160,574
Administrative services	3,179,599	3,193,776	3,044,768	149,008
Pupil health	602,130	613,507	562,136	51,371
Business services	691,250	677,839	615,876	61,963
Operation and maintenance of plant services	4,277,552	4,319,412	3,613,879	705,533
Student transportation services	3,846,317	3,884,606	3,557,349	327,257
Central support services	1,139,585	1,149,935	1,039,594	110,341
Other support services	21,094	21,094	20,656	438
Total Support Services	16,619,739	16,750,278	15,082,521	1,667,757
Operation of noninstructional services:				
Student activities	979,138	1,004,541	905,021	99,520
Community services	26,033	55,847	39,024	16,823
Total Operation of Noninstructional Services	1,005,171	1,060,388	944,045	116,343
Debt service	6,106,445	6,106,445	5,275,015	831,430
TOTAL EXPENDITURES	60,788,690	61,778,529	56,627,478	5,151,051
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	(3,362,425)	(3,459,520)	1,990,236	5,449,756
OTHER FINANCING SOURCES (USES)				
Budgetary reserve	(100,000)	(2,933)	(500,000)	(2,933)
Transfers to other funds	-	-	2,986	2,986
Proceeds on sale of assets	(100,000)	(2,933)	(497,014)	(494,081)
TOTAL OTHER FINANCING SOURCES (USES)	(3,462,425)	(3,462,453)	1,493,222	4,955,675
NET CHANGE IN FUND BALANCE				
FUND BALANCE, BEGINNING OF YEAR	19,000,325	19,000,325	21,774,354	2,774,029
FUND BALANCE, END OF YEAR	\$ 15,537,900	\$ 15,537,872	\$ 23,267,576	\$ 7,729,704

The accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION - PROPRIETARY FUND
JUNE 30, 2015 AND 2014

	Food Service Fund	
	2015	2014
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES		
ASSETS:		
Cash and cash equivalents	\$ 97,804	\$ 77,383
Investments	534,436	585,480
Due from other governments	28,322	33,316
Accounts receivable	16,640	5,417
Inventories	20,413	26,209
Furniture and equipment	1,904,708	1,899,857
Accumulated depreciation	(877,569)	(800,930)
TOTAL ASSETS	<u>1,724,754</u>	<u>1,826,732</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension contributions	111,580	88,075
Deferred pension expenses	38,909	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>150,489</u>	<u>88,075</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 1,875,243</u>	<u>\$ 1,914,807</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION		
LIABILITIES:		
Accounts payable	\$ 10,966	\$ 15,121
Unearned revenues	24,191	23,206
Long term liabilities:		
Net pension liability	1,707,474	1,719,773
TOTAL LIABILITIES	<u>1,742,631</u>	<u>1,758,100</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred pension expenses	122,073	-
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>122,073</u>	<u>-</u>
NET POSITION:		
Net investment in capital assets	1,027,139	1,098,927
Unrestricted (deficit)	(1,016,600)	(942,220)
Total Net Position	<u>10,539</u>	<u>156,707</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	<u>\$ 1,875,243</u>	<u>\$ 1,914,807</u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION -
PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	Food Service Fund	
	2015	2014
OPERATING REVENUES		
Food service revenues	<u>\$ 759,085</u>	<u>\$ 785,334</u>
Total Operating Revenues	<u>759,085</u>	<u>785,334</u>
OPERATING EXPENSES		
Salaries	574,646	555,635
Employee benefits	447,365	377,162
Purchased professional and technical services	35,858	41,968
Other operating expenses	5,747	6,691
Supplies	859,068	805,997
Depreciation	76,639	77,304
Dues and fees	3,686	3,598
Total Operating Expenses	<u>2,003,009</u>	<u>1,868,355</u>
OPERATING LOSS	<u>(1,243,924)</u>	<u>(1,083,021)</u>
NONOPERATING REVENUES		
Earnings on investments	1,191	160
State sources	148,261	129,145
Federal sources	948,304	881,700
Total Nonoperating Revenues	<u>1,097,756</u>	<u>1,011,005</u>
CHANGE IN NET POSITION	(146,168)	(72,016)
NET POSITION, BEGINNING OF YEAR (RESTATED)	<u>156,707</u>	<u>228,723</u>
NET POSITION, END OF YEAR	<u><u>\$ 10,539</u></u>	<u><u>\$ 156,707</u></u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF CASH FLOWS - PROPRIETARY FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	Food Service Fund	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from customers	\$ 755,073	\$ 781,020
Payments to suppliers	(809,557)	(766,240)
Payments to employees	(974,651)	(988,318)
NET CASH USED BY OPERATING ACTIVITIES	(1,029,135)	(973,538)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:		
State sources	148,615	128,518
Federal sources	853,557	782,387
NET CASH PROVIDED BY NONCAPITAL FINANCING ACTIVITIES	1,002,172	910,905
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:		
Purchase of capital assets	(4,851)	(2,200)
NET CASH USED BY CAPITAL AND RELATED FINANCING ACTIVITIES	(4,851)	(2,200)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Earnings on investments	1,191	160
Sale of investments	51,044	44,719
NET CASH PROVIDED BY INVESTING ACTIVITIES	52,235	44,879
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	20,421	(19,954)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	77,383	97,337
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 97,804	\$ 77,383
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES:		
Operating loss	\$ (1,243,924)	\$ (1,083,021)
Adjustments to reconcile operating loss to net cash used by operating activities:		
Depreciation	76,639	77,304
Donated commodities	99,387	88,328
Decrease (Increase) in:		
Accounts receivable	(11,223)	(5,417)
Inventories	5,796	(3,756)
Deferred outflows of resources - pension	(62,414)	
Increase (Decrease) in:		
Accounts payable	(4,155)	7,442
Due to other funds	-	(55,521)
Unearned revenues	985	1,103
Net pension liability	(12,299)	-
Deferred inflows of resources - pension	122,073	-
NET CASH USED BY OPERATING ACTIVITIES	\$ (1,029,135)	\$ (973,538)
SUPPLEMENTAL DISCLOSURE:		
Noncash noncapital financing activity:		
USDA donated commodities	\$ 99,387	\$ 88,328

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF NET POSITION - FIDUCIARY FUNDS
JUNE 30, 2015 AND 2014**

	Private Purpose Trust Scholarship Fund		Agency Fund Student Activities Fund	
	2015	2014	2015	2014
ASSETS:				
Cash	\$ 104,754	\$ 81,979	\$ 104,939	\$ 87,280
TOTAL ASSETS	<u>\$ 104,754</u>	<u>\$ 81,979</u>	<u>\$ 104,939</u>	<u>\$ 87,280</u>
LIABILITIES AND NET POSITION:				
LIABILITIES				
Accounts payable	\$ -	\$ -	\$ 104,939	\$ 87,280
NET POSITION	<u>104,754</u>	<u>81,979</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES AND NET POSITION	<u>\$ 104,754</u>	<u>\$ 81,979</u>	<u>\$ 104,939</u>	<u>\$ 87,280</u>

The accompanying notes are an integral part of these financial statements.

**OXFORD AREA SCHOOL DISTRICT
STATEMENTS OF ACTIVITIES - FIDUCIARY FUND
FOR THE YEARS ENDED JUNE 30, 2015 AND 2014**

	Scholarship Fund	
	2015	2014
REVENUES		
Contributions	\$ 58,169	\$ 57,581
Interest income	55	20
Total Revenues	<u>58,224</u>	<u>57,601</u>
EXPENSES		
Scholarships	35,425	33,446
Miscellaneous expenses	24	-
Total Expenses	<u>35,449</u>	<u>33,446</u>
CHANGE IN NET POSITION	22,775	24,155
NET POSITION, BEGINNING OF YEAR	<u>81,979</u>	<u>57,824</u>
NET POSITION, END OF YEAR	<u>\$ 104,754</u>	<u>\$ 81,979</u>

The accompanying notes are an integral part of these financial statements.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Oxford Area School District (the "District") was formed by state law and began operations on July 1, 1965. The District is located in Chester County and includes the Borough of Oxford, and the townships of Lower and Upper Oxford, East and West Nottingham, and Elk.

The District is a political subdivision of the Commonwealth of Pennsylvania created to assist in the administration of the General Assembly's duties under the Constitution of the Commonwealth to "provide for the maintenance and support of a thorough and efficient system of public education to serve the needs of the Commonwealth."

The District is governed by a board of nine school directors who are residents of the District and who are elected every two years, on a staggered basis, for a four-year term. The Board of School Directors have the power and duty to establish, equip, furnish, and maintain a sufficient number of elementary, secondary, and other schools necessary to educate every person residing in such District, between the ages of six and twenty-one years, who may attend.

The Superintendent is the chief administrative officer and the chief instructional officer of the Board, and the District and is responsible for the execution of all actions of the Board. Subject to the policies and direction of the Board, the Superintendent is responsible for the administration and operation of the public school system and oversees all matters pertaining to instruction. The Superintendent manages the District with the assistance of the Business Administrator, the Assistant Superintendent of Pupil Services and Personnel, the Assistant Superintendent of Curriculum and Instruction, and the Building Principals.

The financial statements of the District have been prepared in accordance with generally accepted accounting principles ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the authoritative standard-setting body for the establishment of governmental accounting and financial reporting principles.

Reporting Entity

GASB Statement No. 14, "The Financial Reporting Entity," as amended by GASB Statement No. 39 and GASB Statement No. 61, established the criteria for determining the activities, organizations, and functions of government to be included in the financial statements of the reporting entity. In evaluating the District as a reporting entity, management has addressed all potential component units which may or may not fall within the District's financial accountability. The criteria used to evaluate component units for possible inclusion as part of the District's reporting entity are financial accountability and the nature and significance of the relationship. The District is considered to be an independent reporting entity and has no component units.

OXFORD AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Basis of Presentation

Entity-wide Financial Statements

The statement of net position and the statement of activities display information about the District as a whole. These statements distinguish between activities that are governmental and those that are considered business-type. These statements include the financial activities of the primary government, except for fiduciary funds.

The entity-wide financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting as further defined under proprietary funds below. This is the same approach used in the preparation of the proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the entity-wide statements and the statements of governmental funds.

The entity-wide statement of activities presents a comparison between expenses and program revenues for each function of the business-type activities of the District and for each governmental program. Expenses are those that are specifically associated with a service or program and are, therefore, clearly identifiable to a particular function. Program revenues include charges paid by the recipients of the goods or services offered by the programs, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues which are not classified as program revenues are presented as general revenues. The comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the District.

Except for interfund activity and balances between the funds that underlie governmental activities and the funds that underlie business-type activities, which are reported as transfers and internal balances, the effect of interfund activity has been removed from these statements.

The entity-wide financial statements report net position in one of three components. Net investment in capital assets consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of borrowings attributable to acquiring, constructing, or improving those assets. Net position is reported as restricted when constraints placed on net position use are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Those restrictions affect net position arising from the capital projects fund. Unrestricted net position consists of net position that does not meet the definition of "net investment in capital assets" or "restricted."

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Fund Financial Statements

During the school year, the District segregates transactions related to certain District functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements report detailed information about the District. The focus of governmental and enterprise fund financial statements is on major funds rather than reporting funds by type. Fiduciary fund financial statements are presented by fund type.

Governmental Funds

All governmental funds are accounted for using the modified accrual basis of accounting and the current financial resources measurement focus. Under this basis, revenues are recognized in the accounting period in which they become measurable and available. Expenditures are recognized in the accounting period in which the fund liability is incurred, if measurable. The District reports the following major governmental funds:

The **General Fund** is the government's primary operating fund. It accounts for all financial resources of the general government, including the athletic fund, except those required to be accounted for in another fund.

The **Capital Reserve Fund** and **Capital Projects Fund** are used to account for the acquisition, construction, and renovation of major capital facilities and their related capital assets and to account for funds set aside for future capital needs.

Revenue Recognition

In applying the "susceptible to accrual concept" under the modified accrual basis, revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers tax revenue to be available if collected within 60 days of the end of the fiscal period. Revenue from federal, state, and other grants designated for payment of specific District expenditures is recognized when the related expenditures are incurred; accordingly, when such funds are received, they are reported as unearned revenues until earned.

Other revenues, including certain other charges for services and miscellaneous revenues, are recorded as revenue when received in cash because they generally are not measurable until actually received.

Expenditure Recognition

The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Most expenditures are measurable and are recorded when the related fund liability is incurred. However, principal and interest on general long-term debt which has not matured are recognized when paid. Liabilities for compensated

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

absences and special termination benefits are recognized as fund liabilities to the extent they mature each period. Allocations of costs, such as depreciation and amortization, are not recognized in the governmental funds.

Proprietary Funds

Proprietary funds are accounted for using the accrual basis of accounting. These funds account for operations that are financed primarily by user charges. The economic resource focus concerns determining costs as a means of maintaining the capital investment and management control. Revenues are recognized when they are earned, and expenses are recognized when they are incurred. Allocations of certain costs, such as depreciation, are recorded in proprietary funds. The District does not attempt to allocate all "building-wide costs" to the proprietary fund. Thus, general fund expenditures which partially benefit the proprietary fund (utilities, janitorial services, insurance, etc.) are not recognized proportionately within the proprietary fund. Similarly, the proprietary fund does not recognize a cost for the building space it occupies.

These funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the District's proprietary fund are food service charges. Operating expenses for the District's proprietary fund include food production costs, supplies, and administrative costs. All revenues or expenses not meeting this definition are reported as nonoperating revenues and expenses.

Fiduciary Funds

Fiduciary funds account for the assets held by the District as a trustee or agent for individuals, private organizations, and/or governmental units and are, therefore, not available to support the District's own programs. The District accounts for these assets as agency funds and trust funds. The agency fund accounts for funds held on behalf of students of the District. It is custodial in nature (assets equal liabilities) and does not involve measurement of results of operations. The trust fund accounts for monies contributed for scholarships and memorials.

Cash and Cash Equivalents

The District's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the entity-wide financial statements as "internal balances."

Taxes receivable are presented net of allowances for estimated uncollectibles of \$56,909. The allowance for uncollectible accounts is based upon historical data established according to experience and other factors which, in the judgment of District management, deserve recognition in estimating possible losses. Management believes that they have adequately provided for future probable losses.

Property Taxes

Taxes are levied on July 1 and are payable in the following periods:

July 1 - August 31	-	Discount period, 2% of gross levy
September 1 - October 31	-	Face period
November 1 to collection	-	Penalty period, 10% of gross levy
January 15	-	Lien date

An installment payment plan is available to residential property owners, who have been approved as homestead owners by the Chester County Board of Assessments, with three equal installments due as follows:

August 31	-	one third of the gross levy
September 30	-	one third of the gross levy
October 31	-	one third of the gross levy

In order to participate in the installment payment plan, homestead owners must forego the opportunity to make payment at the two percent of gross levy discount rate.

The District's taxes are billed and collected by the District. The tax on real estate for public school purposes for fiscal years 2014 - 2015 was 30.0502 mills (\$30.0502 for \$1,000 of assessed valuation) for the entire District.

Inventories

All inventories are valued at the lower of cost (first-in, first-out method) or market.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental or business-type activities columns in the entity-wide and proprietary fund financial statements. Capital assets are defined by the District as assets with an initial, individual cost of more than \$5,000. Management has elected to include certain homogeneous asset categories with individual assets less than \$5,000 as composite groups for capitalization

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

purposes. In addition, capital assets purchased with long-term debt may be capitalized regardless of the thresholds established. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed, inclusive of ancillary costs.

Property, plant, and equipment of the District are depreciated using the straight-line method over the following estimated useful lives:

School buildings	40 years
Building improvements	20 years
Land improvements	40 years
Furniture	10 years
Vehicles	8 years
Equipment	3-10 years

Compensated Absences

District policies permit employees to accumulate earned but unused vacation and personal and sick days as stipulated in each bargaining unit's contract. The liability for these compensated absences is recorded as long-term debt in the entity-wide financial statements. The current portion of this debt is estimated based on historical trends. In the fund financial statements, governmental funds report the compensated absence liability payable from expendable available financial resources.

Long-term Obligations

In the entity-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are netted against outstanding principal balances and amortized over the life of the bonds. Bond issuance costs are expensed when incurred. Deferred amounts on refunding are recorded as a deferred inflow or outflow of resources and amortized over the life of the old debt or the life of the new debt, whichever is shorter. All amortized amounts are amortized using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received and discounts paid on debt issuances are reported as other financing sources and uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred Inflows and Deferred Outflows of Resources

In addition to assets and liabilities, the statement of net position will sometimes report separate sections for deferred inflows and deferred outflows of resources. These separate financial statement elements represent acquisition or use of net position that applies to a future period(s) and so will not be recognized as an inflow or outflow of resources (revenue or expense/expenditure) until that time. The District currently has three types of items that qualify for reporting in this category. Delinquent taxes not collected within 60 days of year end, and therefore are not available under modified accrual reporting, are reflected as deferred inflows of resources on the general fund balance sheet. Pension contributions made subsequent to the measurement date, and therefore not reflected in the net pension liability under full accrual basis reporting, are reported as a deferred outflow of resources on the entity-wide and proprietary fund statements of net position. Certain changes to the net pension liability are required to be amortized over a period of years; the unamortized portions of these changes are reflected as deferred outflows and inflows of resources on the entity-wide and proprietary fund statements of net position.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed.

As of June 30, 2015, fund balances of the governmental funds are classified, if applicable, as follows:

Nonspendable – amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.

Committed – amounts that can be used only for specific purposes determined by formal action of the Board of Directors. The Board is the highest level of decision-making authority for the Oxford Area School District. Commitments may be established, modified, or rescinded only through resolutions approved by the Board of Directors.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. The Finance Committee, the Superintendent, or the Business Manager may assign amounts for specific purposes.

Unassigned – all other spendable amounts.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Comparative Data

Comparative totals for the prior year have been presented in the accompanying financial statements in order to provide an understanding of changes in the District's financial position and operations. However, presentation of prior year totals by fund and activity type have not been presented in each of the statements since their inclusion would make the statements unduly complex and difficult to read. Summarized comparative information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Implementation of GASB Statements

During the year ended June 30, 2015, the District implemented GASB Statement No. 68, "Accounting and Financial Reporting for Pensions," and GASB Statement No. 71, "Pension Transition for Contributions Made Subsequent to the Measurement Date." GASB Statement No. 68 replaces the requirements of GASB Statement No. 27, with the objective of improving the accounting and financial reporting of state and local governments for pensions. It requires that state and local governments recognize and record the actuarially determined net pension liability or, for multi-employer cost sharing plans, the entity's share of the net pension liability, in the entity's financial statements.

GASB Statement No. 71 amends GASB Statement No. 68 and addresses an issue regarding application of the transition provisions in the year of implementation. It requires that in the year of implementation, the state or local government recognize a beginning deferred outflow of contributions for its pension contributions made after the date of measurement.

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

An annual budget is adopted prior to the beginning of each year for the general fund on the modified accrual basis of accounting. The general fund is the only fund for which a budget is legally required, although project-length financial plans are adopted for all capital projects funds.

The District budgets and expends funds according to procedures mandated by the Pennsylvania Department of Education. An annual operating budget is prepared by District officials on a uniform form furnished by such Department and submitted to the Board of School Directors for approval prior to the beginning of the fiscal year on July 1.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

Under the Taxpayer Relief Act, the District must adopt a preliminary budget proposal (which must include estimated revenues and expenditures and proposed tax rates) no later than 90 days prior to the date of the election immediately preceding the fiscal year. The preliminary budget proposal must be printed and made available for public inspection at least 20 days prior to its adoption; the Board of School Directors may hold a public hearing on the budget; and the Board must give at least 10 days' public notice of its intent to adopt such budget.

If the adopted preliminary budget includes an increase in the rate of any tax levy, the preliminary budget must be submitted to the Pennsylvania Department of Education ("PDE") no later than 85 days prior to the date of the election immediately preceding the fiscal year. The PDE is to compare the proposed percentage increase in the rate of any tax with the District's Index and within 10 days, but no later than 75 days, prior to the upcoming election to inform the District whether the proposed percentage increase is less than or equal to the Index. If the PDE determines that a proposed tax increase will exceed the Index, the District must reduce the proposed tax increase, seek voter approval for the tax increase at the upcoming election, or seek approval to utilize one or more of the referendum exceptions authorized by the Taxpayer Relief Act.

With respect to the utilization of any of the Taxpayer Relief Act referendum exceptions for which the PDE approval is required, the District must publish notice of its intent to seek the PDE approval not less than one week before submitting its request for approval to the PDE and, if the PDE determines to schedule a public hearing on the request, a notice of the date, time, and place of such hearing. The PDE is required by the Taxpayer Relief Act to rule on the District's request and inform the school district of its decision no later than 55 days prior to the upcoming election so that, if the PDE denies the school district's request, the school district may submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

To use any of the referendum exceptions for which court approval is required under the Taxpayer Relief Act, the District must petition the court of common pleas no later than 75 days prior to the upcoming election, after giving one week's public notice of the intent to file such petition. The court may schedule a hearing on the petition, and the District must prove by clear and convincing evidence that it qualifies for the exception sought. The Taxpayer Relief Act requires that the court rule on the petition and inform the District of its decision no later than 55 days prior to the upcoming election. Such Act provides that the court, in approving the petition, shall determine the dollar amount for which the exception is granted, the tax rate increase required to fund the exception, and the appropriate duration of the tax increase. If the court denies the District's petition, such Act permits the District to submit a referendum question to the local election officials at least 50 days before the upcoming election, if it so chooses.

If the District seeks voter approval to increase taxes at a rate higher than the applicable Index, whether or not it first seeks approval to utilize one or more of the referendum exceptions available under the Taxpayer Relief Act, and the referendum question is not approved by a majority of the voters voting on the question, the Board of School Directors may not approve an increase in the tax rate greater than the applicable Index.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 2 STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont'd)

The above budgetary procedures will not apply if the District adopts a resolution no later than 110 days prior to the election immediately preceding the upcoming fiscal year declaring that it will not increase any tax rate that exceeds the Index, and that a tax increase at or below the rate of the Index will be sufficient to balance its budget. In that case, the Taxpayer Relief Act requires only that the proposed annual budget be prepared at least 30 days and made available for public inspection at least 20 days prior to its adoption, and that at least 10 days' public notice be given of the Board's intent to adopt the annual budget. No referendum exceptions are available to a school district adopting such a resolution.

Legal budgetary control is maintained at the sub-function/major object level. The Board may make transfers of funds appropriated to any particular item of expenditure by legislative action in accordance with the Pennsylvania School Code. Management may amend the budget at the sub-function/sub-object level without Board approval. Appropriations lapse at the end of the fiscal period. Budgetary information reflected in the financial statements is presented at or below the level of budgetary control and includes the effect of approved budget amendments.

NOTE 3 DEPOSITS AND INVESTMENTS

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned. The District does not have a policy for custodial credit risk. At June 30, 2015, the carrying amount of the District's deposits was \$1,324,417, and the bank balance was \$2,023,782. Of the bank balance, \$250,000 was covered by federal depository insurance, and \$1,773,782 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

Investments

Statutes authorize the District to invest in U.S. Treasury bills, time or share accounts of institutions insured by the Federal Deposit Insurance Corporation in certificates of deposit when they are secured by proper bond or collateral, repurchase agreements, State Treasurer's investment pools, or mutual funds.

Of the District's \$30,221,615 in investments, \$14,753,796 are invested in the Pennsylvania Local Government Investment Trust ("PLGIT") and the Pennsylvania School District Liquid Asset Fund ("PSDLAF"). Although not registered with the Securities and Exchange Commission and not subject to regulatory oversight, PLGIT and PSDLAF act like money market mutual funds in that their objective is to maintain a stable net asset value of \$1 per share, are rated by a nationally recognized statistical rating organization, and are subject to an independent annual audit.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 3 DEPOSITS AND INVESTMENTS (cont'd)

Additionally, the District has \$5,640,817 in certificates of deposit held with banks, including \$105,060 invested through the CDARS program. The certificates of deposit have maturities of less than one year as of June 30, 2015 and are fully covered through a combination of FDIC insurance and letters of credit obtained by the depositors in the District's name. The remaining \$9,827,002 was invested in money market accounts offered by banks. Of this balance, \$387,318 was covered by FDIC insurance, and \$9,439,684 was exposed to custodial credit risk because, in accordance with Act 72 of the Commonwealth of Pennsylvania, it was uninsured and the collateral held by the depository's agent was not in the District's name.

Credit Risk

The District has an investment policy that limits its investment choices in local government investment pools only to the extent it is rated in the highest rating category by a nationally recognized rating agency. As of June 30, 2015, PLGIT and PSDLAF were rated as AAAM by a nationally recognized statistical rating organization.

NOTE 4 UNEARNED REVENUES

The District records unearned revenue for resources that have been received but not yet earned. At the end of the current fiscal year, unearned revenue reported in the governmental funds resulted from federal grants received that have not satisfied eligibility requirements and revenue received but not yet earned. Unearned revenue in the proprietary funds and the entity-wide financial statements represents resources that have been received but not yet earned.

NOTE 5 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 5,255,835	\$ -	\$ -	\$ 5,255,835
Total Capital Assets Not Being Depreciated	<u>5,255,835</u>	<u>-</u>	<u>-</u>	<u>5,255,835</u>
Capital assets being depreciated:				
Buildings and improvements	123,381,005	643,127	-	124,024,132
Furniture and equipment	7,068,200	250,701	154,155	7,164,746
Total Capital Assets Being Depreciated	<u>130,449,205</u>	<u>893,828</u>	<u>154,155</u>	<u>131,188,878</u>
Less accumulated depreciation	<u>41,473,255</u>	<u>3,511,629</u>	<u>154,155</u>	<u>44,830,729</u>
Total Capital Assets Being Depreciated, Net	<u>88,975,950</u>	<u>(2,617,801)</u>	<u>-</u>	<u>86,358,149</u>
Governmental Activities Assets, Net	<u>\$94,231,785</u>	<u>\$(2,617,801)</u>	<u>\$ -</u>	<u>\$91,613,984</u>

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 5 CAPITAL ASSETS (cont'd)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type Activities:				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,899,857	\$ 4,851	\$ -	\$ 1,904,708
Less accumulated depreciation	800,930	76,639	-	877,569
Business-type Activities Assets, Net	<u>\$ 1,098,927</u>	<u>\$ (71,788)</u>	<u>\$ -</u>	<u>\$ 1,027,139</u>

Depreciation expense was charged to functions/programs of the District as follows:

Governmental Activities:	
Instruction	\$ 2,597,605
Instructional student support	234,598
Administrative and financial support services	347,140
Operation and maintenance of plant services	265,738
Student activities	<u>66,548</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 3,511,629</u>
Business-type Activities - Food Service	<u>\$ 76,639</u>

NOTE 6 INTERNAL RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund balances between funds represent temporary loans recorded at year end subsequent to a final allocation of expenses. There were no internal balances as of June 30, 2015. There was one transfer during the year to the capital reserve fund for the purpose of funding future capital projects. The general fund transferred \$500,000 to the capital reserve fund.

NOTE 7 GENERAL LONG-TERM DEBT

The following summarizes the changes in the long-term liabilities of governmental activities for the year ended June 30, 2015:

	<u>Balance July 1, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2015</u>
Bonds and note payable, net	\$ 69,495,795	\$ 25,410,120	\$ 27,984,592	\$ 66,921,323
Capital lease payable	283,993	-	140,320	143,673
Accumulated compensated absences	449,188	314,830	-	764,018
Other post-employment benefits	1,376,592	223,162	-	1,599,754
TOTALS	<u>\$ 71,605,568</u>	<u>\$ 25,948,112</u>	<u>\$ 28,124,912</u>	<u>\$ 69,428,768</u>

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Bonds and note payable at June 30, 2015 is comprised of the following:

Bonds and note payable, at face	\$ 64,690,000
Unamortized discount	(18,854)
Unamortized premium	<u>2,250,177</u>
Bonds and note payable, net	<u>\$ 66,921,323</u>

Payments of long-term debt are expected to be funded by the general fund.

General Obligation Note

Series A of 2007, maturing through August 1, 2023, bearing variable rate interest to a maximum of 25% (4.5% at June 30, 2015), interest payable monthly.	\$ 500,000
--	-----------------

General Obligation Bonds

Series C of 2007, maturing through August 1, 2028 bearing variable interest to a maximum of 25% (4.0% at June 30, 2015), interest payable monthly.	7,940,000
--	-----------

Series of 2012, maturing through February 1, 2028, bearing interest ranging from 0.80% to 3.00%, interest payable semi-annually on February 1 and August 1.	9,890,000
---	-----------

Series of 2013, maturing through February 1, 2026, bearing interest ranging from 0.55% to 2.45%, interest payable semi-annually on February 1 and August 1.	9,690,000
---	-----------

Series A of 2013, maturing through February 15, 2026, bearing interest ranging from 0.35% to 3.25%, interest payable semi-annually on February 15 and August 15.	4,885,000
--	-----------

Series of 2014, maturing through February 15, 2022, bearing interest ranging from 0.30% to 4.00%, interest payable semi-annually on February 15 and August 15.	8,585,000
--	-----------

Series A of 2014, maturing through February 15, 2022, bearing interest ranging from 0.35% to 5.00%, interest payable semi-annually on February 15 and August 15.	18,280,000
--	------------

Series of 2015, maturing through February 1, 2023, bearing interest ranging from 1.50% to 4.00%, interest payable semi-annually on February 1 and August 1.	<u>4,920,000</u>
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TOTAL	<u>\$ 64,690,000</u>
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OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 7 GENERAL LONG-TERM DEBT (cont'd)

Bond Refundings

The District issued \$23,200,000 of general obligation bonds. Series A of 2014 in the amount of \$18,280,000 was issued to currently refund a portion of Series A of 2005, to currently refund a portion of Series B of 2005, and to pay the costs of issuing the bond. This issuance resulted in a cash flow savings to the District of \$1,984,231 and a present value savings of \$1,901,596. Series of 2015 in the amount of \$4,920,000 was issued to advance refund Series D of 2007 and to pay the costs of issuing the bond. This issuance resulted in a cash flow savings to the District of \$484,740 and a present value savings of \$451,927. The District defeased \$4,845,000 of the Series D of 2007 bonds by placing new bond proceeds in an irrevocable trust to provide for future debt service payments on the defeased bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements. An additional \$11,590,000 in bonds of the Series D of 2007 were defeased in prior years and remain outstanding. At June 30, 2015, \$16,435,000 of defeased bonds are still outstanding.

Presented below is a summary of debt requirements to maturity by years:

<u>Year Ending June 30,</u>	<u>Principal Maturities</u>	<u>Interest Maturities</u>	<u>Total Maturities</u>
2016	\$ 4,050,000	\$ 2,007,301	\$ 6,057,301
2017	4,110,000	1,943,342	6,053,342
2018	4,395,000	1,826,242	6,221,242
2019	4,545,000	1,671,730	6,216,730
2020	4,725,000	1,496,105	6,221,105
2021-2025	24,200,000	5,153,015	29,353,015
2026-2029	18,665,000	1,078,024	19,743,024
	<u>\$ 64,690,000</u>	<u>\$ 15,175,759</u>	<u>\$ 79,865,759</u>

NOTE 8 OPERATING LEASE - LESSOR

The District rents excess office space to Brandywine River Valley Home, Health & Hospice under an agreement in effect through July 31, 2015. This lease is considered as an operating lease for accounting purposes. The District also rents excess office space to Keystone Collections under an agreement in effect through July 31, 2015. This lease is considered as an operating lease for accounting purposes. The following is a summary of the minimum rental income for the remaining term at June 30, 2015:

<u>Year Ending June 30,</u>	
2016	<u>\$ 7,313</u>

An amount of \$78,768 was received under operating leases during the year ended June 30, 2015.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 9 CAPITAL LEASE - LESSEE

The District has entered into a lease agreement as a lessee for financing the acquisition of technology equipment used within the District. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the lower of asset value or present value of future minimum lease payments as of the inception date.

The assets acquired through the capital lease are as follows:

ASSET	
Equipment - Apple iPads	\$ 287,400
Less: Accumulated depreciation	<u>(143,700)</u>
Total	<u>\$ 143,700</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2015 were as follows:

<u>Year Ending June 30,</u>	
2016	\$ 147,107
Less: Amount representing interest	<u>(3,434)</u>
Total	<u>\$ 143,673</u>

Lease payments for the year ended June 30, 2015 totaled \$147,107.

NOTE 10 PENSION PLAN

Plan Description

The School contributes to the Public School Employees' Retirement System ("PSERS"), a governmental cost-sharing multiple-employer defined benefit pension plan that provides retirement benefits to public school employees of the Commonwealth of Pennsylvania. The members eligible to participate in the System include all full-time public school employees, part-time hourly public school employees who render at least 500 hours of service in the school year, and part-time per diem public school employees who render at least 80 days of service in the school year in any of the reporting entities in Pennsylvania. PSERS issues a publicly available comprehensive annual financial report that includes the financial statements and required supplementary information for the plan. A copy of this report may be obtained by writing to the Public School Employees' Retirement System, P.O. Box 125, Harrisburg, Pennsylvania, 17108-0125, or by visiting the PSERS website at www.psers.state.pa.us.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Benefits Provided

PSERS provides retirement, disability, and death benefits. Members are eligible for monthly retirement benefits upon reaching (a) age 62, with at least one year of credited service, (b) age 60 with 30 or more years of credited service, or (c) 35 or more years of service regardless of age. Act 120 of 2010 ("Act 120") preserves the benefits of existing members, and introduced benefit reductions for individuals who became new members on or after July 1, 2011. Act 120 created two new membership classes, Membership Class T-E ("Class T-E"), and Membership Class T-F ("Class T-F"). To qualify for normal retirement, Class T-E and Class T-F members must work until age 65 with a minimum of three years of service, or attain a total combination and age and service that is equal to or greater than 92, with a minimum of 35 years of service. Benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service. For members whose membership started prior to July 1, 2011, after completion of five years of service, a member's right to the defined benefits is vested and early retirement may be elected. For Class T-E and Class T-F members, the right to benefits is vested after ten years of service.

Participants are eligible for disability retirement benefits after completion of five years of credited service. Such benefits are generally equal to two percent or two and one-half percent, depending upon the membership class, of the member's final average salary as defined in the Code, multiplied by the number of years of credited service, but not less than one-third of such salary nor greater than the benefit the member would have had at normal retirement age. Members over normal retirement age may apply for disability benefits.

Death benefits are payable upon the death of an active member who has reached age 62 with at least one year of credited service (age 65 with at least three years of credited service for Class T-E and Class T-F members, or who has at least five years of credited service for Class T-E and Class T-F members). Such benefits are actuarially equivalent to the benefit that would have been effective if the member had retired on the day before death.

Member Contributions

Active members who joined the system prior to July 22, 1983, contributed at 5.25 percent (Membership Class T-C), or at 6.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system on or after July 22, 1983, and who were active or inactive as of July 1, 2001, contribute at 6.25 percent (Membership Class T-C), or at 7.50 percent (Membership Class T-D) of the member's qualifying compensation.

Members who joined the system after June 30, 2001 and before July 1, 2011 contribute at 7.50 percent (automatic Membership Class T-D). For all new hires and for members who elected Class T-D membership, the higher contribution rates began with service rendered on or after January 1, 2002.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Members who joined the system after June 30, 2011 automatically contribute at the Membership Class T-E rate of 7.50 percent (base rate) of the member's qualifying compensation. All new hires after June 30, 2011, who elect Class T-F membership, contribute at 10.30 percent (base rate) of the member's qualifying compensation. Membership Class T-E and T-F are affected by a "shared risk" provision in Act 120 of 2010 that in future fiscal years could cause the Membership Class T-E contribution rate to fluctuate between 7.50 percent and 9.50 percent, and Membership Class T-F contribution rate to fluctuate between 10.30 percent and 12.30 percent.

Employer Contributions

The District's contractually required annual contribution is based on an actuarially determined amount that, when combined with the employee contributions, is expected to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2015, the rate of the employer contribution was 21.40 percent of covered payroll, which was comprised of 20.50 percent for pension contributions and 0.90 percent for healthcare contributions. The School's contribution to PSERS for the years ended June 30, 2015, 2014, and 2013 was \$4,441,677, \$3,553,760, and \$2,534,729, respectively.

Pension Liability and Expense, and Deferred Outflows and Inflows of Resources

At June 30, 2015, the District reported a liability of \$65,111,000 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by rolling forward the system's total pension liability as of June 30, 2013 to June 30, 2014. The District's proportion of the net pension liability was calculated utilizing the employer's one-year reported covered payroll as it relates to the total one-year reported covered payroll. At June 30, 2014, the District's proportion was 0.1645 percent, which was an increase of 0.0043 percent from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$6,060,834. At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Net difference between projected and actual investment earnings	\$ -	\$ 4,655,000
Changes in proportions	1,418,000	-
Difference between employer contributions and proportionate share of total contributions	65,710	-
Contributions subsequent to the date of measurement	4,254,878	-
	<u>\$ 5,738,588</u>	<u>\$ 4,655,000</u>

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

An amount of \$4,254,878 is reported as deferred outflows of resources resulting from the District's contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts will be reported as deferred outflows and resources and deferred inflows of resources related to pensions, and will be recognized in pension expense as follows:

Year Ended June 30,

2016	\$ 806,229
2017	806,229
2018	806,229
2019	806,229
2020	<u>(53,626)</u>
	<u>\$ 3,171,290</u>

Actuarial Assumptions

The total pension liability as of June 30, 2014 was determined by rolling forward the system's total pension liability as of the June 30, 2013 actuarial valuation to June 30, 2014 using the following actuarial assumptions, applied to all periods included in the measurement:

- Actuarial cost method – entry age normal, level percentage of pay.
- Investment return – 7.50 percent, including inflation of 3.00 percent.
- Salary increases – effective average of 5.50 percent, which reflects an allowance for inflation of 3.00 percent, real wage growth of 1.00 percent, and merit or seniority increases of 1.50 percent.
- Mortality rates were based on the RP-2000 Combined Healthy Annuitant Tables (male and female) with age set back three years for both males and females. For disabled annuitants, the RP-2000 Combined Disabled Tables (male and female) with age set back seven years for males and three years for females.

The actuarial assumptions used in the June 30, 2013 valuation were based on the experience study that was performed for the five-year period ending June 30, 2010. The recommended assumption changes based on this experience study were adopted by the PSERS Board of Directors at its March 11, 2011 Board meeting and were effective beginning with the June 30, 2011 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using the building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

The pension plan's policy in regard to the allocation of invested plan assets is established and may be amended by the PSERS Board of Directors. Plan assets are managed with a long-term objective of achieving and maintaining a fully funded status for the benefits provided through the pension.

A schedule of plan investments by asset class, target allocations, and long-term expected real rate of return is as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Public markets global equity	19%	5.0%
Private markets (equity)	21%	6.5%
Private real estate	13%	4.7%
Global fixed income	8%	2.0%
U.S. long treasuries	3%	1.4%
TIPS	12%	1.2%
High yield bonds	6%	1.7%
Cash	3%	0.9%
Absolute return	10%	4.8%
Risk parity	5%	3.9%
MLPs/infrastructure	3%	5.3%
Commodities	6%	3.3%
Financing (LIBOR)	(9%)	1.1%
	<u>100.00%</u>	

The above was the PSERS Board's adopted asset allocation policy and best estimates of geometric real rates of return for each major asset class as of June 30, 2014.

Discount Rate

The discount used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will be made at contractually required rates which are actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 10 PENSION PLAN (cont'd)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability, calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.50 percent), or one percentage point higher (8.50 percent) than the current rate.

	1% Decrease 6.50%	Current Rate Discount Rate 7.50%	1% Increase 8.50%
Proportionate share of net pension liability	\$ 81,216,000	\$ 65,111,000	\$ 51,360,000

Pension Plan Fiduciary Net Position

Detailed information about PSERS' fiduciary net position is available in PSERS Comprehensive Annual Financial Report, which can be found on the system's website at www.psers.state.pa.us.

NOTE 11 JOINT VENTURES

The District is a participating member of the Center for Arts Technology (the "Vo-Tech"). The Vo-Tech is run by a joint board consisting of school directors from each member district. The board of directors from each member district must approve the Vo-Tech's annual budget. Each member pays an allocated share of the debt and operating costs of the Vo-Tech based on the number of students from each district. For fiscal year ended June 30, 2015, the District's share of debt and operating costs was \$1,774,068. The Vo-Tech prepares financial statements which are available to the public. The financial statements of the Vo-Tech are available from the Chester County Intermediate Unit located at 455 Boot Road, Downingtown, Pennsylvania 19335.

NOTE 12 POST-EMPLOYMENT HEALTHCARE PLAN

Plan Description

The District has implemented Governmental Accounting Standards Board Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions," for certain post-employment healthcare benefits and life insurance benefits provided by the District. This statement generally provides for prospective implementation - i.e., that employers set the beginning net OPEB obligation at zero as of the beginning of the initial year. Accordingly, for financial reporting purposes, no liability is reported for the post-employment benefits liability at the date of transition.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

The District's post-employment healthcare plan is a single-employer defined benefit healthcare plan. The plan provides medical insurance benefits to eligible retirees and their spouses. The Board of School Directors has the authority to establish and amend benefit provisions through the collective bargaining process with members of the professional and support staff, an agreement with administrative employees, and individual employment contracts with certain employees. The plan does not issue any financial report and is not included in the report of any public employee retirement system or any other entity.

Funding Policy

The contribution requirements of plan members are established and may be amended by the Board of School Directors. The required contribution is based on projected pay-as-you-go financing requirements, with any additional amount to prefund as determined annually by the Board of School Directors. For fiscal year 2015, the District contributed \$178,463.

Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit cost (expense) is calculated based on the annual required contribution of the employer ("ARC"), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The following table shows the components of the District's OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the plan.

Annual required contribution	\$ 428,515
Interest on net OPEB obligation	41,298
Adjustment to annual required contribution	<u>(68,188)</u>
Annual OPEB cost (expense)	401,625
Contributions made	<u>(178,463)</u>
Increase in net OPEB obligation	223,162
Net OPEB obligation - beginning of year	<u>1,376,592</u>
Net OPEB obligation - end of year	<u>\$ 1,599,754</u>

OXFORD AREA SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

NOTE 12 POST-EMPLOYMENT HEALTHCARE PLAN (cont'd)

Funded Status and Funding Progress

The schedule of funding progress of OPEB is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
7/1/2014	\$ -	\$ 3,928,218	\$ 3,928,218	0.00%	\$21,187,999	18.54%
7/1/2012	\$ -	\$ 3,385,674	\$ 3,385,674	0.00%	\$20,122,432	16.83%
7/1/2010	\$ -	\$ 4,096,543	\$ 4,096,543	0.00%	\$20,343,736	20.14%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trends. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2014 actuarial valuation, the entry age actuarial cost method was used. The actuarial assumptions included a 3.0 percent investment rate of return and an annual healthcare cost trend rate of 9.0 percent in 2015, reduced by decrements to an ultimate rate of five percent in 2023 or later. The UAAL is being amortized based on the level dollar, 30-year open period. The remaining amortization period at June 30, 2015 was 26 years.

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 13 FUND BALANCES

As of June 30, 2015, fund balances are composed of the following:

	<u>General Fund</u>	<u>Capital Reserve Fund</u>	<u>Total Governmental Funds</u>
Restricted:			
Capital projects	\$ -	\$ 3,671,022	\$ 3,671,022
Committed:			
Capital projects	2,500,000	-	2,500,000
Healthcare costs	1,997,885	-	1,997,885
Retirement costs	6,629,232	-	6,629,232
Utility costs	350,000	-	350,000
Revenue shortfalls	4,315,948	-	4,315,948
Unassigned	<u>7,474,511</u>	<u>-</u>	<u>7,474,511</u>
 Total Fund Balances	 <u>\$ 23,267,576</u>	 <u>\$ 3,671,022</u>	 <u>\$ 26,938,598</u>

NOTE 14 CONTINGENCIES AND COMMITMENTS

Government Grants and Awards

The District participates in both state and federally assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. The District is potentially liable for any expenditure which may be disallowed pursuant to the terms of these grant programs. Management is not aware of any material items of noncompliance which would result in the disallowance of program expenditures.

NOTE 15 RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. Significant losses are covered by commercial insurance for all major programs except for workers' compensation, for which the District retains risk of loss. For insured programs, there were no significant reductions in insurance coverages during the 2014 - 2015 year. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

NOTE 16 DEFICIT NET POSITION

For governmental activities and business-type activities, the unrestricted net deficit amounts of \$40,452,603 and \$1,016,600, respectively, includes the effect of the deferring the recognition of pension contributions made subsequent to the measurement date of the net pension liability, the unamortized portion of contributions made in excess of the District's share of its proportionate

OXFORD AREA SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS

NOTE 16 DEFICIT NET POSITION (cont'd)

contributions to its pension plan, and the deferred outflows resulting from the change in the District's share of the net pension liability. This is offset by the District's actuarially determined pension liability and the deferred inflows resulting from the differences between projected and actual investment earnings.

NOTE 17 PRIOR PERIOD RESTATEMENT

The District has restated its July 1, 2013 net position in its governmental activities to record the net pension liability and deferred outflows at June 30, 2014 in accordance with the requirements of GASB Statement No. 68 and GASB Statement No. 71, as discussed in Note 1. The net result of this change is a decrease of \$60,589,757 in governmental activities net position and a decrease of \$1,631,698 in food service fund net position.

NOTE 18 SUBSEQUENT EVENTS

The District has evaluated all subsequent events through January 7, 2016, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**OXFORD AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF NET PENSION LIABILITY
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2014</u>
District's proportion of the net pension liability	0.1645%
District's proportion of the net pension liability - dollar value	\$65,111,000
District's covered employee payroll	\$20,992,941
District's proportionate share of the net pension liability as a percentage of its covered employee payroll	310.16%
Plan fiduciary net position as a percentage of the total pension liability	57.24%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

**OXFORD AREA SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CONTRIBUTIONS
Pennsylvania Public School Employees' Retirement System (PSERS)**

	<u>June 30, 2015</u>
Contractually required contribution	\$ 4,254,878
Contributions in relation to the contractually required contribution	<u>4,254,878</u>
Contribution deficiency (excess)	<u>\$ -</u>
District's covered-employee payroll	\$20,755,502
Contributions as a percentage of covered-employee payroll	20.50%

In accordance with GASB Statement No. 68, this schedule has been prepared prospectively as the above information for the preceding years is not readily available. This schedule will accumulate each year until sufficient information to present a ten-year trend is available.

SINGLE AUDIT SUPPLEMENT

**INDEPENDENT AUDITOR'S
REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

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January 7, 2016

Board of School Directors
Oxford Area School District
Oxford, Pennsylvania

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Oxford Area School District, Oxford, Pennsylvania, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Oxford Area School District's basic financial statements, and have issued our report thereon dated January 7, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Oxford Area School District's internal control over financial reporting ("internal control") to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Oxford Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Oxford Area School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Board of Directors
Oxford Area School District

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oxford Area School District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

INDEPENDENT AUDITOR'S
REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY
OMB CIRCULAR A-133

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January 7, 2016

Board of School Directors
Oxford Area School District
Oxford, Pennsylvania

Report on Compliance for Each Major Federal Program

We have audited the Oxford Area School District's compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on the Oxford Area School District's major federal program for the year ended June 30, 2015. The Oxford Area School District's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and recommendations.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Oxford Area School District's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Oxford Area School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Oxford Area School District's compliance.

Board of School Directors
Oxford Area School District

Opinion on Each Major Federal Program

In our opinion, the Oxford Area School District, Oxford, Pennsylvania, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the Oxford Area School District, Oxford, Pennsylvania, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Oxford Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Oxford Area School District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Barbacane, Thornton & Company LLP
BARBACANE, THORNTON & COMPANY LLP

OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS

PART A - SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Internal control over financial reporting:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |
| • Noncompliance material to financial statements noted? | <u> </u> Yes | <u> X </u> No |

Federal Awards

Internal control over major programs:

- | | | |
|---|-------------------|----------------------------|
| • Material weakness(es) identified? | <u> </u> Yes | <u> X </u> No |
| • Significant deficiency(ies) identified? | <u> </u> Yes | <u> X </u> None reported |

Type of auditors' report issued on compliance for major programs [*unmodified, qualified, adverse, or disclaimer*]:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

 Yes X No

Identification of major program:

CFDA Number

Name of Federal Program or Cluster

84.010

Title I

Dollar threshold used to distinguish between Type A and Type B programs:

\$300,000

Auditee qualified as low-risk auditee?

 X Yes No

OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND RECOMMENDATIONS (CONT'D)

PART B - FINDINGS RELATED TO FINANCIAL STATEMENTS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

PART C - FINDINGS RELATED TO FEDERAL AWARDS

STATUS OF PRIOR YEAR FINDINGS

None.

CURRENT YEAR FINDINGS AND RECOMMENDATIONS

None.

**OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

SOURCE CODE	FEDERAL CFDA NUMBER	PASS- THROUGH GRANTOR'S NUMBER	GRANT PERIOD BEGINNING/ ENDING DATES	GRANT AMOUNT	TOTAL RECEIVED FOR YEAR	ACCRUED (UNEARNED) REVENUE 7/01/2014	REVENUE RECOGNIZED	EXPENDITURES	ACCRUED (UNEARNED) REVENUE 6/30/2015
U.S. Department of Education									
Federal Grantor/Pass-through Grantor Project Title									
Passed through Pennsylvania Department of Education									
I	84.010	013-13-0315	07/03/12-09/30/13	\$ 675,791	\$ -	\$ (23,088)	\$ 23,088	\$ 23,088	\$ -
I	84.010	013-14-0315	08/12/13-09/30/14	615,381	306,547	63,378	217,365	217,365	(25,804)
I	84.010	013-15-0315	10/09/14-09/30/15	634,769	372,970	-	389,124	389,124	16,154
I	84.010	042-13-0315	05/05/13-09/30/14	70,403	41,414	17,756	23,658	23,658	-
					720,932	58,046	653,235	653,235	(9,650)
Total CFDA# 84.010									
I	84.367	020-14-0315	08/12/13-09/30/14	99,215	42,416	42,416	-	-	-
I	84.367	020-15-0315	10/09/14-09/30/15	97,976	73,544	-	97,976	97,976	24,432
					115,960	42,416	97,976	97,976	24,432
Total CFDA# 84.367									
I	84.365	010-13-0315	07/03/12-09/30/13	72,513	9,868	(2,468)	12,136	12,136	-
I	84.365	010-14-0315	08/12/13-09/30/14	68,519	39,154	(8,145)	35,824	35,824	(11,475)
I	84.365	010-15-0315	10/09/14-09/30/15	81,551	33,980	-	25,981	25,981	(7,999)
					82,802	(10,613)	73,941	73,941	(19,474)
Total CFDA# 84.365									
Subgrant from U.S. Department of Education									
Passed through Chester County Intermediate Unit									
I	84.027	062-13-0024	07/01/13-09/30/14	370,482	289,128	289,128	-	-	-
I	84.027	062-14-0024	07/01/14-06/30/15	386,362	107,809	-	386,362	386,362	278,553
					396,937	289,128	386,362	386,362	278,553
Total CFDA# 84.027									
I	84.173	131-14-0024B	07/01/14-06/30/15	804	804	-	804	804	-
					397,741	289,128	387,166	387,166	278,553
Total Special Education Cluster									
					1,317,435	378,977	1,212,318	1,212,318	273,861
Total U.S. Department of Education									
U.S. Department of Health and Human Services									
Passed through Pennsylvania Department of Public Welfare									
I	93.778	N/A	07/01/12-06/30/13	47,932	-	2,481	-	-	2,481
I	93.778	N/A	07/01/13-06/30/14	21,003	4,864	15,742	4,864	4,864	15,742
I	93.778	N/A	07/01/14-06/30/15	16,601	4,254	-	16,601	16,601	12,347
					93,243	93,243	93,243	93,243	-
Total CFDA# 93.778									
					102,361	18,223	114,708	114,708	30,570
Total U.S. Department of Health and Human Services									
					102,361	18,223	114,708	114,708	30,570

Continued on next page.

**OXFORD AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2015**

<u>Federal Grantor/Pass-through Grantor Project Title</u> (cont'd)	<u>SOURCE CODE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS- THROUGH GRANTOR'S NUMBER</u>	<u>GRANT PERIOD BEGINNING/ ENDING DATES</u>	<u>GRANT AMOUNT</u>	<u>TOTAL RECEIVED FOR YEAR</u>	<u>ACCRUED (UNEARNED) REVENUE 7/01/2014</u>	<u>REVENUE RECOGNIZED</u>	<u>EXPENDITURES</u>	<u>ACCRUED (UNEARNED) REVENUE 6/30/2015</u>
U.S. Department of Agriculture										
Passed through Pennsylvania Department of Agriculture	I	10.555	N/A		N/A	99,387	-	99,387	99,387	-
Value of U.S.D.A. Donated Commodities										
Passed through Pennsylvania Department of Education										
National School Lunch Program	I	10.555	N/A	07/01/13-06/30/14	N/A	24,574	24,574	-	-	-
National School Lunch Program	I	10.555	N/A	07/01/14-06/30/15	N/A	679,615	-	701,109	701,109	21,494
Total CFDA# 10.555						803,576	24,574	800,496	800,496	21,494
Breakfast Program	I	10.553	N/A	07/01/13-06/30/14	N/A	6,812	6,812	-	-	-
Breakfast Program	I	10.553	N/A	07/01/14-06/30/15	N/A	142,556	-	147,808	147,808	5,252
Total CFDA# 10.553						149,368	6,812	147,808	147,808	5,252
Total Child Nutrition Cluster						952,944	31,386	948,304	948,304	26,746
Total U.S. Department of Agriculture						952,944	31,386	948,304	948,304	26,746
TOTAL FEDERAL AWARDS						<u>\$ 2,372,740</u>	<u>\$ 428,586</u>	<u>\$ 2,275,330</u>	<u>\$ 2,275,330</u>	<u>\$ 331,177</u>

Source Code:

I = Indirect Funding

OXFORD AREA SCHOOL DISTRICT

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

NOTE A SCOPE OF THIS SCHEDULE

The schedule of expenditures of federal awards reflects federal expenditures for all individual grants which were active during the fiscal year.

NOTE B BASIS OF ACCOUNTING

The District uses the modified accrual method of recording transactions except as noted for the accounting of donated commodities in Note C. Revenues are recorded when measurable and available. Expenditures are recorded when incurred.

NOTE C NONMONETARY FEDERAL AWARDS - DONATED FOOD

The Commonwealth of Pennsylvania distributes federal surplus food to institutions (schools, hospitals, and prisons) and to the needy. Expenditures reported in the schedule of expenditures of federal awards under CFDA #10.555 Value of U.S.D.A. Donated Commodities represent surplus food consumed by the District during the 2014 - 2015 fiscal year.

NOTE D ACCESS PROGRAM

The ACCESS Program is a medical assistance program that reimburses local educational agencies for direct eligible health-related services provided to enrolled special needs students. Reimbursements are federal source revenues but are classified as fee-for-service and are not considered federal financial assistance. The amount of ACCESS funding recognized for the year ended June 30, 2015 was \$3,029.